

**Town  
of  
Atherton**

Atherton, California

*Basic Financial Statements and  
Independent Auditors' Report*

*For the year ended June 30, 2007*

# Town of Atherton

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## CITY OFFICIALS

### CITY COUNCIL

Mayor	Alan B. Carlson
Vice Mayor	James R. Janz
Council Member	Jerry Carlson
Council Member	Charles E. Marsala
Council Member	Kathy McKeithan

### ADMINISTRATION & DEPARTMENT HEADS

City Manager	Jim Robinson
Assistant City Manager	Wende C. Protzman
Police Chief	Robert J. Brennan
Public Works Director	Duncan Jones
Interim Planning/Building Administrator	Gary Binger
Finance Director	John P. Johns
Acting City Clerk	Kathi Hamilton
Park Program Manager	Jean Cardona
City Attorney	Marc G. Hynes
Town Arborist	Kathy Hughes Anderson
City Planner	Neil Martin & Associates
Deputy Town Planner	Lisa Costa Sanders



## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the Town Council  
of the Town of Atherton  
Atherton, California

We have audited the accompanying financial statements of governmental activities, each major fund, and the aggregate remaining fund information of the Town of Atherton, California (Town), as of and for the year ended June 30, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States.

The accompanying Required Supplementary Information, such as management's discussion and analysis and other information as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying supplementary information is presented for purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Caporicci & Larson*

Oakland, California  
February 20, 2008

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Oakland, California 94612

**Orange County**  
9 Corporate Park, Suite 100  
Irvine, California 92606

**Sacramento**  
777 Campus Commons Rd., Suite 200  
Sacramento, California 95825

**San Diego**  
4858 Mercury, Suite 106  
San Diego, California 92111

# Town of Atherton

## Management's Discussion and Analysis

### For the year ended June 30, 2007

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As management of the Town of Atherton (Town), we offer readers of the Town's financial statements this narrative and analysis of the financial activities of the Town for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here.

#### Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$43,025,332 (net assets). Of this amount, \$9,731,747 (unrestricted net assets) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net assets increased by \$1,163,900. Page 24 provides a reconciliation between the increase in fund balance as reported on the governmental funds statements of revenues, expenditures and changes in fund balance with the government-wide statement of activities and changes in net assets.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$13,190,700, a decrease of \$(1,700,894) in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$5,216,519, or 53 percent of the total general fund expenditures.

#### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains supplementary information in a separate section.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Town's assets and liabilities; the difference between the two reports is *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* shows how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

**Town of Atherton**  
**Management's Discussion and Analysis, Continued**  
**For the year ended June 30, 2007**

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The government-wide financial statements are intended to distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public works administration, parks and recreation, police, parks maintenance, library maintenance, and streets and public facilities. At present the Town does not provide municipal services for any business-type activities (such as utilities).

The government-wide financial statements include not only the Town itself (known as the *primary government*), but also the Atherton Channel District, a legally separate special purpose district. The Atherton Channel District, although legally separate, functions for all practical purposes as a department of the Town, and therefore has been included as an integral part of the primary government.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate the compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental, proprietary, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances prove a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town maintains sixteen individual governmental funds. Information is presented separately in the government fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the special tax special revenue fund, both of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the Required Supplementary Information.

The Town adopts an annual appropriated budget for its general fund and special tax special revenue fund. A budgetary comparison statement has been provided for the general fund and the special tax special revenue fund to demonstrate compliance with this budget.

**Town of Atherton**  
**Management's Discussion and Analysis, Continued**  
**For the year ended June 30, 2007**

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**Proprietary funds.** The Town maintains one type of proprietary fund type, internal service funds. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town uses internal service funds to account for its fleet of vehicles, management information systems, and certain administrative services functions activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements. Internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town's progress in funding its obligation to provide pension benefits to its employees.

#### **Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$43,025,332 at the close of the most recent fiscal year.

The largest portion of the Town's net assets consists of investments in capital assets (70 percent). An additional portion of the Town's net assets ( 8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$9,731,747) may be used to meet the Town's ongoing obligations to citizens and creditors.

**Town of Atherton**  
**Management's Discussion and Analysis, Continued**  
**For the year ended June 30, 2007**

**Town of Atherton's Net Assets**

Net Assets	
Invested in capital assets, net of related debt	\$ 29,936,491
Restricted for:	
Capital projects	430,420
Debt service	673,094
Special projects	2,253,580
Unrestricted	<u>9,731,747</u>
Total net assets	<u>\$ 43,025,332</u>

At the end of the current fiscal year, the Town is able to report positive balances in all three activities. The same situation held true for the prior fiscal year.

**Governmental activities.** Governmental activities increased the Town's net assets by \$1,163,900. The increase in net assets was due to a combination of factors including continued strength in the real estate market resulting in rising property tax revenues, and continued investments in the Town's infrastructure.

**Financial Analysis of the Town's Government-Wide Financial Statements**

The following table provides a comparison of revenues, expenditures, assets, liabilities and net assets for all governmental-type activities for the fiscal year ended June 30, 2006 and 2007.

Town of Atherton  
 Comparative Analysis of Revenues, Expenditures, Assets, Liabilities, and Net Assets  
 For the Years Ended June 30, 2006 and 2007

	2007	2006	Variance	Change
Revenues	\$ 12,769,943	\$ 11,498,603	\$ 1,271,340	11%
Expenditures	\$ 11,606,043	\$ 10,541,125	\$ 1,064,918	10%
Assets	\$ 45,273,713	\$ 43,537,389	\$ 1,736,324	4%
Liabilities	\$ 2,248,381	\$ 1,675,957	\$ 572,424	34%
Net Assets	\$ 43,025,332	\$ 41,861,432	\$ 1,163,900	3%

Total assets and total net assets increased by 4% and 3% respectively.

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Town of Atherton**  
**Management's Discussion and Analysis, Continued**  
**For the year ended June 30, 2007**

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**Governmental funds.** The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$13,190,700, reflecting a net change of \$(1,700,894) in comparison with the prior year. 36 percent of this total amount, \$4,716,519, constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that is not available for new spending because it has already been committed:

- To liquidate contracts and purchase orders of the prior period \$ 832,730
- To provide for a contingency for economic uncertainty \$ 3,015,300
- To provide for a reserve for future building inspections \$ 769,057
- For compensated absences \$ 673,094

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unreserved fund balance of the general fund was \$5,216,519, while total fund balance reached \$9,841,723. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. For the year ended June 30, 2007 total general fund balance represents 85 percent of FY 2007 expenditures.

The fund balance of the general fund increased by \$351,339 for the 12 months ended June 30, 2007. Key factors in this growth are as follows:

- A refund of excess property tax contributions to the Educational Revenue Augmentation Fund by the San Mateo County Controller in the amount of \$435,194 resulting from excess contribution withheld by the Controller in previous fiscal years;
- An additional \$400,000 in secured property taxes resulting from higher than expected growth in property assessments;
- A \$150,000 favorable variance in real property transfer taxes and sales tax revenues due to favorable economic conditions and a conservative approach by the Finance Department in estimating such revenues;
- Increased investment income resulting from rising interest rates.

**Town of Atherton**  
**Management's Discussion and Analysis, Continued**  
**For the year ended June 30, 2007**

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**General Fund Budgetary Highlights**

In FY 2006-07 the Town Council decided to rescind the \$22 per cubic yard surcharge on all excavation activity requiring the removal and transportation across the Town's roadways; and refund with interest all excavation surcharges collected since the May. 16, 2005 effective date of the excavation surcharge.

Subsequently several mid-year budget adjustments were made to compensate for this shortfall of funds in the capital improvement budget.

During the year, however, revenues exceeded budgetary estimates by \$1,522,167 (a favorable variance of 18 percent of estimated revenues) and expenditures were less than appropriations, by \$482,237 (a favorable variance of 5 percent of general fund appropriations).

**Capital Assets**

The Town's investment in capital assets for its governmental activities as of June 30, 2007, amounts to \$29,936,491 (net of accumulated depreciation). This investment in capital assets includes land, building, computers, a telecommunications system, improvements, machinery, equipment, park facilities, a corporation yard, and roads. The total increase in the Town's investment in capital assets for the current fiscal year was \$2,836,665 (all of which were for governmental activities).

Major capital asset events during the current fiscal year included the following:

- The reconstruction of Selby Lane at a total cost of \$1.9 million;
- Street Reconstruction Phase II of \$816,000;
- Valparaiso Avenue reconstruction \$1.8 million.

**Town of Atherton**  
**Management's Discussion and Analysis, Continued**  
**For the year ended June 30, 2007**

**Town of Atherton's Capital Assets**

	Balance July 1, 2006	Additions	Retirements	Inventory Adjustments	Transfers	Balance June 30, 2007
<b>Governmental Activities:</b>						
Capital assets, not being depreciated:						
Land	\$ 690,884	\$ -	\$ -	\$ -	\$ -	\$ 690,884
Construction in progress	885,222	774,411	-	-	(885,222)	774,411
Total non depreciable assets	1,576,106	774,411	-	-	(885,222)	1,465,295
Capital assets, being depreciated:						
Buildings	1,668,094	-	-	-	-	1,668,094
Other improvements	749,531	77,220	-	-	-	826,751
Vehicles	564,738	70,150	-	-	-	634,888
Equipment - computer	42,486	17,918	-	-	-	60,404
Equipment - furniture/equipment	408,382	12,898	-	-	-	421,280
Infrastructure	46,754,184	3,908,646	(2,605,404)	-	885,222	48,942,648
Total depreciable assets	50,187,415	4,086,832	(2,605,404)	-	885,222	52,554,065
Accumulated Depreciation:						
Buildings	(658,565)	(37,391)	-	-	-	(695,956)
Other improvements	(497,396)	(26,319)	-	-	-	(523,715)
Vehicles	(359,779)	(73,973)	-	-	-	(433,752)
Equipment - computer	(16,588)	(8,204)	-	-	-	(24,792)
Equipment - furniture/equipment	(358,708)	(12,579)	-	-	-	(371,287)
Infrastructure	(22,772,659)	(1,537,046)	2,276,338	-	-	(22,033,367)
Total accumulated depreciation	(24,663,695)	(1,695,512)	2,276,338	-	-	(24,082,869)
Depreciable assets, net	25,523,720	2,391,320	(329,066)	-	885,222	28,471,196
<b>Governmental activities capital assets, net</b>	<b>\$ 27,099,826</b>	<b>\$ 3,165,731</b>	<b>\$ (329,066)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 29,936,491</b>

Additional information on the Town's capital assets can be found in Note 4 of this report.

**Economic Factors Affecting Subsequent Years**

In June of 2005 the residents of Atherton approved Measure W, thereby renewing the Atherton Special Tax for an additional five years. The maximum tax levy approved by the electorate was consistent with the amounts that were in effect during the previous four fiscal years and is expected to generate \$1.865 million in additional funds annually for the five years ended June 30, 2010. Of this amount, the Town expects to expend approximately \$1.4 million annually for infrastructure maintenance and improvements and to expend the balance on current operations.

- The assessed value of real and personal property within the Town in FY 2007-08 will amount to \$5.29 billion. As a result property tax revenues are expected to increase by 8.85% over the \$4.31 million collected in FY 2006-07.

**Town of Atherton**  
**Management's Discussion and Analysis, Continued**  
**For the year ended June 30, 2007**

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- The permitted value of residential renovation and construction is expected to exceed \$100 million for the sixth consecutive year. As a result, the Building Department is expected to be fully self-supporting at current permit fee levels.
- Pension expenses for municipal employees will amount to 18 percent of covered payroll for miscellaneous employees and 35 percent for safety employees.
- Employee salary and benefit expenses will increase at levels consistent with expected changes in the consumer price index during the past year (approximately 3 percent).

All of these factors were considered in preparing the Town's budget for Fiscal Year 2006-07.

This financial report is designed to provide a general overview of the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Atherton Finance Department, 91 Ashfield Road, Atherton, California 94027.

**BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Town of Atherton**  
**Statement of Net Assets**  
**June 30, 2007**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments in treasury	\$ 14,917,957
Receivables:	
Accounts	240,861
Interest	174,509
Miscellaneous	3,895
Capital assets:	
Non-depreciable	1,465,295
Depreciable, net	<u>28,471,196</u>
<b>Total Capital assets</b>	<u>29,936,491</u>
<b>TOTAL ASSETS</b>	<u>45,273,713</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	485,428
Accrued payroll	379,425
Deposits payable	677,014
Compensated absences, due in one year	<u>216,460</u>
<b>Total Current liabilities</b>	<u>1,758,327</u>
Noncurrent liabilities:	
Claims Payable	33,421
Compensated absences, due in more than one year	<u>456,633</u>
<b>Total Noncurrent liabilities</b>	<u>490,054</u>
<b>TOTAL LIABILITIES</b>	<u>2,248,381</u>
<b>NET ASSETS</b>	
Investment in capital assets, net of related debt	29,936,491
Restricted for:	
Capital projects	430,420
Debt service	673,094
Special projects	2,253,580
Unrestricted	<u>9,731,747</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 43,025,332</u>

See accompanying Notes to the Basic Financial Statements.

**Town of Atherton**  
**Statement of Activities and Changes in Net Assets**  
**For the year ended June 30, 2007**

Functions/Programs	Expenditures	Program Revenues			Net (Expenditure) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants	Capital Grants and Contributions	
Primary Government:					
General government	\$ 2,969,884	\$ 2,163,842	\$ 379,396	\$ -	(426,646)
Public works administration	1,201,981	-	-	-	(1,201,981)
Police	4,590,866	77,956	-	-	(4,512,910)
Library maintenance	42,046	-	-	-	(42,046)
Streets and public facilities	2,801,266	264,569	200,511	-	(2,336,186)
<b>Total governmental activities</b>	<b>\$ 11,606,043</b>	<b>\$ 2,506,367</b>	<b>\$ 579,907</b>	<b>\$ -</b>	<b>(8,519,769)</b>
<b>General revenues:</b>					
<b>Taxes:</b>					
Property taxes					6,669,941
Sales taxes					489,608
Motor vehicle fee taxes					571,835
Other taxes					841,634
<b>Total Taxes</b>					<b>8,573,018</b>
Investment earnings					839,598
Miscellaneous					271,053
<b>Total general revenues</b>					<b>9,683,669</b>
<b>Change in Net Assets</b>					<b>1,163,900</b>
<b>Net assets - beginning of year</b>					<b>41,861,432</b>
<b>Net assets - end of year</b>					<b>\$ 43,025,332</b>

See accompanying Notes to the Basic Financial Statements.

**FUND FINANCIAL STATEMENTS**

**Governmental Fund Financial Statements**

**Proprietary Fund Financial Statements**

**Fiduciary Fund Financial Statements**

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## GOVERNMENTAL FUND FINANCIAL STATEMENTS

*The General Fund* - This Fund accounts for all general revenues of the Town not specifically levied or collected for other Town funds and the related expenditures. The General Fund accounts for all financial resources of a governmental unit which are not accounted for in other funds.

*Library* - This Fund is used to account for funds dedicated to the Town's library operations.

*Road Construction* - This Fund is used to account for moneys dedicated to road construction.

*Special Tax* - This Fund is used to account for parcel tax assessments received from property owners to be used for the maintenance of streets and public facilities.

**Town of Atherton**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2007**

	Major Funds		
	General	Special Tax	Library
<b>ASSETS</b>			
Cash and investments in treasury	\$ 10,744,503	\$ 244,096	\$ 2,539,882
Receivables:			
Accounts	235,409	-	-
Interest	125,809	-	25,769
Miscellaneous	3,895	-	-
Receivables Total	365,113	-	25,769
<b>TOTAL ASSETS</b>	<b>\$ 11,109,616</b>	<b>\$ 244,096</b>	<b>\$ 2,565,651</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 198,994	\$ 181,021	\$ 589
Accrued payroll	369,335	2,363	139
Deposits payable	677,014	-	-
Claims Payable	22,550	-	-
<b>TOTAL LIABILITIES</b>	<b>1,267,893</b>	<b>183,384</b>	<b>728</b>
<b>FUND BALANCE</b>			
Reserved for:			
Encumbrances	183,053	649,677	-
Contingency	3,000,000	-	-
Future building inspection	769,057	-	-
Compensated absences	673,094	-	-
Unreserved, Designated:			
Insurance	500,000	-	-
Unreserved, Undesignated:			
Special revenue funds	-	(588,965)	2,564,923
Capital project funds	-	-	-
Undesignated	4,716,519	-	-
<b>TOTAL FUND BALANCE</b>	<b>9,841,723</b>	<b>60,712</b>	<b>2,564,923</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 11,109,616</b>	<b>\$ 244,096</b>	<b>\$ 2,565,651</b>

See accompanying Notes to the Basic Financial Statements.

Major Funds

Road Construction	Other Governmental	Total
\$ 119,763	\$ 666,174	\$ 14,314,418
-	5,452	240,861
-	17,521	169,099
-	-	3,895
-	22,973	413,855
<u>\$ 119,763</u>	<u>\$ 689,147</u>	<u>\$ 14,728,273</u>
\$ 84,780	\$ -	\$ 465,384
574	214	372,625
-	-	677,014
-	-	22,550
<u>85,354</u>	<u>214</u>	<u>1,537,573</u>
-	-	832,730
-	15,300	3,015,300
-	-	769,057
-	-	673,094
-	-	500,000
34,409	243,213	2,253,580
-	430,420	430,420
-	-	4,716,519
<u>34,409</u>	<u>688,933</u>	<u>13,190,700</u>
<u>\$ 119,763</u>	<u>\$ 689,147</u>	<u>\$ 14,728,273</u>

**Town of Atherton**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Assets**  
**June 30, 2007**

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Total Fund Balances - Total Governmental Funds \$ 13,190,700

Amounts reported for governmental activities in the Statement of Net Assets were reported differently because:

Capital assets used in governmental activities were not current financial resources and therefore were not reported in the Governmental Funds Balance Sheet.

Non depreciable assets (Land and construction in progress)	1,465,295
Depreciable buildings, property, equipment and infrastructure, net (does not include capital assets of \$248,725 net, related to the internal service funds)	<u>28,222,471</u>
Total capital assets	<u>29,687,766</u>

Internal service funds were used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds were included in governmental activities in the Government-Wide Statement of Net Assets.

819,959

Compensated absences payable were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet. The long-term liabilities were adjusted as follows:

Compensated absences - current portion	216,460
Compensated absences - long term portion	<u>456,633</u>

Net Assets of Governmental Activities \$ 43,025,332

See accompanying Notes to the Basic Financial Statements.

**Town of Atherton**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**Governmental Funds**

**For the year ended June 30, 2007**

	Major Funds		
	General	Special Tax	Library
<b>REVENUES</b>			
Property taxes	\$ 4,293,196	\$ -	\$ 569,531
Special assessments	-	1,749,280	-
Sales taxes	219,391	-	-
Measure A grants	-	-	-
Other taxes	1,413,469	-	-
Permits and licenses	1,704,154	-	-
Fines and forfeitures	71,766	-	-
From other agencies	301,458	-	-
Service charges	313,113	-	-
Use of money and property	759,527	25,811	90,152
Road impact fees	-	-	-
Other revenues	523,883	-	-
<b>TOTAL REVENUES</b>	<b>9,599,957</b>	<b>1,775,091</b>	<b>659,683</b>
<b>EXPENDITURES</b>			
Current:			
General government	1,476,695	-	-
Public works administration	1,205,440	-	-
Police	4,519,810	-	-
Library maintenance	-	-	42,046
Streets and public facilities	2,046,673	2,720,211	-
<b>TOTAL EXPENDITURES</b>	<b>9,248,618</b>	<b>2,720,211</b>	<b>42,046</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>351,339</b>	<b>(945,120)</b>	<b>617,637</b>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>351,339</b>	<b>(945,120)</b>	<b>617,637</b>
<b>FUND BALANCES:</b>			
Beginning of year	9,490,384	1,005,832	1,947,286
End of year	\$ 9,841,723	\$ 60,712	\$ 2,564,923

See accompanying Notes to the Basic Financial Statements.

Major Funds

Road Construction	Other Governmental	Total
\$ -	\$ 57,934	\$ 4,920,661
-	-	1,749,280
-	-	219,391
-	270,217	270,217
-	-	1,413,469
-	-	1,704,154
-	-	71,766
-	394,461	695,919
-	8,325	321,438
11,993	56,779	944,262
264,569	-	264,569
-	-	523,883
<u>276,562</u>	<u>787,716</u>	<u>13,099,009</u>
-	14,822	1,491,517
-	-	1,205,440
-	89,327	4,609,137
-	-	42,046
<u>1,615,712</u>	<u>1,069,167</u>	<u>7,451,763</u>
<u>1,615,712</u>	<u>1,173,316</u>	<u>14,799,903</u>
<u>(1,339,150)</u>	<u>(385,600)</u>	<u>(1,700,894)</u>
<u>(1,339,150)</u>	<u>(385,600)</u>	<u>(1,700,894)</u>
<u>1,373,559</u>	<u>1,074,533</u>	<u>14,891,594</u>
<u>\$ 34,409</u>	<u>\$ 688,933</u>	<u>\$ 13,190,700</u>

# Town of Atherton

## Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2007

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Net Changes in Fund Balances - Total Governmental Funds \$ (1,700,894)

Governmental activities in the Statement of Activities and Changes in Net Assets were reported differently because:

Governmental funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of construction in progress and other improvements recorded in the current period net of internal service fund capital asset additions of \$100,966. 4,760,277

Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it does not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in governmental funds. Depreciation expense associated with internal service funds of \$ 83,098 is not reported here. (1,612,414)

Losses on the disposal of capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but do not require the use of current financial resources. Therefore, it is not reported as an expenditure in governmental funds. (329,066)

Payroll expense on compensated absences is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it does not require the use of current financial resources. Therefore, compensated absences expense was not reported as expenditures in governmental funds. This amount represents the net activity of \$467,380 in additions and \$(419,425) in deductions. (47,955)

Internal service funds were used by management to charge the costs of certain activities to individual funds. The change in net assets of the internal service funds was reported with governmental activities. 93,952

Change in Net Assets of Governmental Activities \$ 1,163,900

See accompanying Notes to the Basic Financial Statements.

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## PROPRIETARY FUND FINANCIAL STATEMENTS

*Internal Service Fund* - This fund is used to account for special activities and services performed by a designated Town department for other departments on a cost reimbursement basis.

**Town of Atherton**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2007**

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	<u>Governmental Activities Internal Service Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 603,539
Noncurrent assets:	
Interest receivable	5,410
Depreciable capital assets	708,191
Accumulated depreciation	<u>(459,466)</u>
<b>TOTAL ASSETS</b>	<u>857,674</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	20,044
Accrued payroll	6,800
Claims payable	<u>10,871</u>
<b>TOTAL LIABILITIES</b>	<u>37,715</u>
<b>NET ASSETS</b>	
Unrestricted	<u>819,959</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 819,959</u>

See accompanying Notes to the Basic Financial Statements.

Town of Atherton  
Statement of Revenues, Expenses, and Changes in Net Assets  
Proprietary Funds  
For the year ended June 30, 2007

	Governmental Activities Internal Service Fund
<b>OPERATING REVENUES</b>	
Service charges	\$ 564,674
<b>TOTAL OPERATING REVENUES</b>	<u>564,674</u>
<b>OPERATING EXPENSES</b>	
Risk management	259,248
Depreciation	83,098
Supplies and maintenance	146,682
<b>TOTAL OPERATING EXPENSES</b>	<u>489,028</u>
<b>OPERATING INCOME (LOSS)</b>	<u>75,646</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income	18,306
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>18,306</u>
<b>CHANGE IN NET ASSETS</b>	<u>93,952</u>
<b>NET ASSETS:</b>	
Beginning of year	726,007
End of year	<u>\$ 819,959</u>

See accompanying Notes to the Basic Financial Statements.

Town of Atherton  
Statement of Cash Flows  
Proprietary Funds  
For the year ended June 30, 2007

	Governmental Activities Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from customers/other funds	\$ 564,674
Cash payments to suppliers for goods and services	(372,269)
Net cash provided (used) by operating activities	<u>192,405</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
(Acquisition) or disposal of fixed assets	(100,966)
Net cash provided (used) by capital and related financing activities	<u>(100,966)</u>
Net increase (decrease) in cash and cash equivalents	91,439
<b>CASH AND CASH EQUIVALENTS:</b>	
Beginning of year	512,100
End of year	<u>\$ 603,539</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating income (loss)	\$ 93,952
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	83,098
Changes in assets and liabilities:	
Accounts payable	8,131
Accrued payroll	1,763
Interest receivable	(5,410)
Claims payable	10,871
Net cash provided (used) by operating activities	<u>\$ 192,405</u>

See accompanying Notes to the Basic Financial Statements.

## FIDUCIARY FUND FINANCIAL STATEMENTS

*Agency Funds.* - These funds account for assets held in an agency capacity for others and therefore cannot be used to support the Town's programs.

**Town of Atherton**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2007**

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and investments	\$ 169,540
<b>TOTAL ASSETS</b>	<u>\$ 169,540</u>
<b>LIABILITIES</b>	
Deposits payable	\$ 169,540
<b>TOTAL LIABILITIES</b>	<u>\$ 169,540</u>

See accompanying Notes to the Basic Financial Statements.

**Town of Atherton**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2007**

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**1. SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Town of Atherton, California (Town) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

*A. Financial Reporting Entity*

The Town was incorporated in 1923 and is situated between the cities of Menlo Park and Redwood City on the Peninsula of the San Francisco Bay Area. The Town operates under the Mayor-Council-Manager form of government created by charter in 1923 and provides the following services: public safety (police), public works and streets, park services, and general administration services.

The Town is governed by a five-member council elected by Town residents. The Town is legally separate and fiscally independent, which means it can issue debt, set and modify budgets and fees and sue or be sued. The accompanying basic financial statements include the financial activities of the Town, the primary government, and its component units.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the primary government's exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The following is a brief review of the blended component unit included in the accompanying basic financial statements of the Town in which the Council functions as the governing board:

*The Atherton Channel District - was established to assist in the maintenance and rehabilitation of the areas within the Town determined to be in the flood plain of the local stream. The District has all accounting and administrative functions performed by Town staff and the District receives advances from the Town to finance operations. The financial activities of the District have been included in the Atherton Channel District Capital Projects Fund in the accompanying basic financial statements.*

The above component unit is included in the Town's basic financial statements using the blended method since the governing body of this component unit is substantially the same as the governing body of the Town and this component unit provides services entirely to the Town.

Discretely presented component units are reported in a separate column in the basic financial statements to emphasize that they are legally separate from the Town. The Town does not have any component units that are discretely presented. Financial information for the component unit may be obtained from the Town's Finance Department.

**Town of Atherton**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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**1. SIGNIFICANT ACCOUNTING POLICIES, Continued**

*B. Basis of Accounting and Measurement Focus*

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

**Government-Wide Financial Statements**

The Town's government-wide financial statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of the governmental activities for the Town, the primary government, accompanied by a total column. Fiduciary activities of the Town are not included in these statements.

These financial statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the Town's assets and liabilities, including capital assets and related current year infrastructure asset additions and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which a liability is incurred.

Certain types of transactions are reported as program revenues for the Town and are presented in the following three categories:

- Charges for services
- Operating/Capital grants

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Assets have been eliminated. The following interfund activities have been eliminated:

- Due to/from other funds
- Transfers in/out

The Town applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) pronouncements and Statements Interpretations, Accounting Principles Board (APB), and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure.

**Town of Atherton**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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**1. SIGNIFICANT ACCOUNTING POLICIES, Continued**

*B. Basis of Accounting and Measurement Focus, Continued*

**Governmental Fund Financial Statements**

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the government-wide financial statements. The Town has presented all major funds that met applicable criteria.

All governmental funds are accounted for on a spending or "*current financial resources*" measurements focus. Accordingly, only current assets and current liabilities generally are included on the balance sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financial sources) and decreases (expenditures and other financial uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except those revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Town, are property taxes, charges for services, federal and state grants, sales tax, and interest. Expenditures are recognized in the accounting period in which the related fund liability is incurred.

Deferred revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the deferred revenue is removed from the balance sheet and revenue is recognized.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

**Proprietary Fund Financial Statements**

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Change in Net Assets, and a Statement of Cash Flows for all proprietary funds.

# Town of Atherton

## Notes to the Basic Financial Statements, Continued

For the year ended June 30, 2007

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### 1. SIGNIFICANT ACCOUNTING POLICIES, Continued

#### *B. Basis of Accounting and Measurement Focus, Continued*

The Town's proprietary funds represent Internal Service funds of which have been combined with the governmental activities in the government-wide financial statements.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets.

The Statement of Revenues, Expenses and Change in Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

#### **Fiduciary Fund Financial Statements**

Fiduciary fund financial statements normally include a Statement of Net Assets and a Statement of Changes in Fiduciary Net Assets. The Town's fiduciary funds represent agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. As a result, a statement of Changes in Fiduciary Net Assets is not presented in this report.

#### *C. Recognition of Interest Liability*

In government-wide financial statements, interest payable on long-term debt is recognized as the liability is incurred for governmental activities and business type activities.

In the fund financial statements, proprietary fund types recognize the interest payable when the liability is incurred.

#### *D. Use of Restricted and Unrestricted Net Assets*

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Town's policy is to apply restricted net assets first.

# Town of Atherton

## Notes to the Basic Financial Statements, Continued

For the year ended June 30, 2007

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### 1. SIGNIFICANT ACCOUNTING POLICIES, Continued

#### *E. Cash, Cash Equivalents and Investments*

The Town pools cash and investments from all sources, for the purpose of increasing income through investment activities. Interest income on investments is allocated on the basis of average month-end cash and investment balances in each fund. Cash and cash equivalents represent cash and investments and restricted cash and investments with an original maturity term of three months or less.

The Town invests in the California Local Agency Investment Fund (LAIF), which is operated by the California State Treasurer. The State's investment policy is consistent with the Town's policy. A portion of LAIF's investments are in structured notes and asset-backed securities. As of June 30, 2007 LAIF had invested 3.466 % of its funds in such securities.

The Town also invests in the San Mateo County Investment Fund (SMCIP), which is operated by the San Mateo County Treasurer. The County's investment policy is consistent with the Town's policy.

LAIF and SMCIP determines fair value on its investment portfolio based on market quotations for these securities where market quotations are readily available, and on amortized cost or best estimate for those securities where market value is not readily available.

In accordance with GASB Statement No. 31, highly liquid money market investments with maturities of one year or less at time of purchased are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB Statement No. 3)*, certain disclosure requirements, if applicable, for Deposits and Investment Risks are specified in the following areas:

- Interest Rate Risk
- Credit Risk
  - Overall
  - Custodial Credit Risk
  - Concentrations of Credit Risk
- Foreign Currency Risk

In addition, other disclosures are specified including use of certain methods to protect deposits and investments, highly sensitive investments, credit quality at year end and other disclosures.

**Town of Atherton**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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**1. SIGNIFICANT ACCOUNTING POLICIES, Continued**

*F. Capital Assets*

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated. Town has set the capitalization threshold for reporting capital assets at \$5,000 and a half year of depreciation is recorded in the year of acquisition. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Buildings	40 Years
Improvements other than buildings	20 Years
Machinery and equipment	5-20 Years
Infrastructure	20-50 Years

Assets are grouped by asset type into one of the following accounts - land, land improvements, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), buildings and improvements, machinery and equipment, lease improvements, software, and construction in progress.

GASB Statement No. 34 requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the Town has included the value of all infrastructures in the basic financial statements.

The Town defines infrastructure as the basic physical assets that allow the Town to function. The assets include streets, sewer, and park lands. Each major infrastructure system can be divided into subsystems. For example the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, landscaping and land. These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

For all infrastructure systems, the Town elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting. Estimated historical costs were developed in one of three ways: (1) historical records; (2) standard unit costs appropriate for the construction/acquisition date; or (3) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight-line cost method was computed using industry accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the estimated historical cost.

**Town of Atherton**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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**1. SIGNIFICANT ACCOUNTING POLICIES, Continued**

*G. Compensated Absences*

**Government-Wide Financial Statements**

For governmental activities, compensated absences are accrued as incurred and charged to the various programs.

**Fund Financial Statements**

In governmental funds, compensated absences are recorded as expenditures in the years paid.

*H. Property Taxes*

San Mateo County assesses properties, bills, and collects property taxes for the Town. Secured and unsecured taxes are levied on the preceding March 1. Secured taxes are due in two installments on November 1 and February 1. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payments. Unsecured taxes are due as of January 1 lien date and become delinquent if unpaid on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes remain unpaid on October 31, an additional 1.5% attaches on the first day of each month until unpaid. The term "unsecured" refers to taxes on property not secured by liens on real property.

Town property tax revenues are recognized when levied to the extent that they result in current receivables.

On October 12, 1993, the San Mateo County Board of Supervisors adopted and implemented the Alternative Method of Tax Apportionment (Teeter Plan). The Teeter Plan applies to secured taxes only and provides a predictable cash flow for taxes since they are apportioned to the Town as if the tax levy had been collected in full.

*I. Post Employment Benefits Other than Pensions*

The Town provides post-retirement health care benefits to all employee groups with 20 years of service as required by current agreements. The Town records premium payments on a "pay-as-you-go" basis.

*J. Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires Town management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

# Town of Atherton

## Notes to the Basic Financial Statements, Continued

For the year ended June 30, 2007

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### 1. SIGNIFICANT ACCOUNTING POLICIES, Continued

#### K. Net Assets

##### Government-Wide Financial Statements

In the government-wide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt—This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets—This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Assets—This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

##### Fund Financial Statements

Reservation of fund balances of governmental funds and retained earnings of proprietary funds are created to either satisfy legal covenants, including State laws, that require a portion of the fund equity be segregated or identify the portion of the fund equity not available for future expenditures.

### 2. CASH AND INVESTMENTS

The Town maintains a cash and investment pool, which includes cash balances and authorized investments of all funds, which the Town invests to enhance interest earnings. The pooled interest is allocated to the funds quarterly, based on average daily cash and investment balances in these funds.

#### A. Cash Deposits

At June 30, 2007, the carrying amount of the Town's deposits was \$271,484. Bank balances before reconciling items were \$463,582 at that date, the total amount of which was collateralized or insured with securities held by pledging financial institutions in the Town's name as discussed below.

**Town of Atherton**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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**2. CASH AND INVESTMENTS, Continued**

*A. Cash Deposits, Continued*

The California Government Code requires California banks and savings and loan associations to secure the Town's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the Town's name.

According to California law, the market value of pledged securities with banking institutions must equal at least 110% of the Town's cash deposits. California law also allows institutions to secure Town deposits by pledging first trust deed mortgage notes having a value of 150% of the Town's total cash deposits. The Town may waive collateral requirements for cash deposits, which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation. The Town, however, has not waived the collateralization requirements.

The Town follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on a quarterly basis to the various funds based on average daily cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

*B. Investments*

The Town is authorized by State statutes and in accordance with the Town's Investment Policy (Policy) to invest in the following:

- San Mateo County Investment Pool (SMCIP)
- State Local Agency Investment Fund (LAIF)
- Insured and/or collateralized certificates of deposit

The Town's investments comply with the established policy.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Pools*, investments were stated at fair value using the aggregate method in all funds and component units, resulting in the following investment income:

**Town of Atherton**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

**2. CASH AND INVESTMENTS, Continued**

*B. Investments, Continued*

Realized gain/(loss) on matured/sold investments	\$	
Unrealized gain/(loss) in changes in fair value of investments		(243,438)
Net gain/(loss)		(243,438)
Interest income		1,083,036
<b>Total investment income</b>	<b>\$</b>	<b>839,598</b>

The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments. Realized gains and losses in investments that had been held in more than one fiscal year that matured or were called / sold in the current year were included as a change in the fair value of investments reported in the prior year(s) and the current year.

In accordance with GASB Statement No. 31, the portfolio, for year-end reporting purposes, is treated as if it were all sold. Therefore, fund balance reflects the portfolio's change in value. These portfolio value changes are unrealized unless sold. The Town's policy is to buy and hold investments until their maturity dates.

*C. Summary of Cash and Investments*

The following is a summary of cash and investments at June 30, 2007:

	Government - Wide	Fiduciary Funds Statement of Net Assets	Total
Cash and investments	\$ 14,917,957	\$ 169,540	\$ 15,087,497

**Town of Atherton**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

**2. CASH AND INVESTMENTS, Continued**

*C. Summary of Cash and Investments, Continued*

Deposits and investments were categorized as follows at June 30, 2007:

	Credit Quality Ratings	Fair Value	Days to Maturity
<b>Town Treasury Deposits:</b>			
Deposits	Not Rated	\$ 271,484	N/A
Petty Cash	Not Rated	700	N/A
<b>Total Town treasury deposits</b>		<u>272,184</u>	
<b>Town Treasury Investments:</b>			
San Mateo County Investment Pool	Not Rated	9,381,850	N/A
Local Agency Investment Fund	Not Rated	5,433,463	
<b>Total Town treasury investments</b>		<u>14,815,313</u>	
<b>Total cash and investments</b>		<u>\$ 15,087,497</u>	

*D. Risk Disclosures*

*Interest Rate Risk.* As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's investment policy requires that at least 30% of the Town's investment portfolio mature in less than one year. Additional limitations are that the average maturity of the investment portfolio will not exceed three years, and no investment will have a maturity of more than five years from its date of purchase. The Town has no other risk or exposure which requires disclosure.

*E. Investments in Local Agency Investment Funds (LAIF)*

The Town's investments with LAIF at June 30, 2007, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

**Town of Atherton**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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**2. CASH AND INVESTMENTS, Continued**

*E. Investments in Local Agency Investment Funds (LAIF), Continued*

As of June 30, 2007, the Town had \$5,433,463. invested in LAIF, which had invested 3.466% of the pool investment funds in Structured Notes and Asset-Backed Securities.

The Town valued its investments in LAIF as of June 30, 2007, by multiplying its account balance with LAIF by a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate fair value by total aggregate amortized cost resulting in a factor of .999545022.

*F. Investments in San Mateo County Investment Pool*

The Town invests in the San Mateo County Pooled Investment Fund (SMCIP), an external investment pool. The pool determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available.

As of June 30, 2007, the Town had \$9,381,850 invested in SMCIP. The Town valued its investments in SMCIP as of June 30, 2007, by multiplying its account balance with SMCIP by a fair value factor determined by SMCIP. This fair value factor was determined by dividing all SMCIP participants' total aggregate fair value by total aggregate amortized cost resulting in a factor of .998383.

*G. Summary of Investment to Maturity*

Investments held in the Town grouped by maturity date at June 30, 2007 were as follows:

<u>Maturity</u>	
Current to one year	\$ 15,087,497
<b>Total</b>	<b>\$ 15,087,497</b>

**Town of Atherton**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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**3. RECEIVABLES**

*A. Government-Wide and Fund Financial Statements*

At June 30, 2007, the Government-Wide and Fund Financial Statements show the following receivables:

Accounts Receivable

As of June 30, 2007, accounts receivable consisted of the following items:

Property tax	\$	48,704
Franchise fee		75,958
Grants		74,862
Other accounts receivable		41,337
<b>Total accounts receivable</b>	<b>\$</b>	<b><u>240,861</u></b>

**4. CAPITAL ASSETS**

In accordance with GASB Statement No. 34, the Town has reported all capital assets including infrastructure acquired in the current year in the Government-Wide Statement of Net Assets. The Town has elected to use the basic approach as defined by GASB Statement No. 34 for all infrastructure reporting, whereby depreciation expense and accumulated depreciation have been recorded.

Capital assets include land, buildings, and equipment used in Town operations. Infrastructure includes roads, bridges, curbs, sidewalks, drainage systems, street and traffic lights, park improvements and other improvements used by all citizens.

**Town of Atherton**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

**4. CAPITAL ASSETS, Continued**

*A. Government-Wide Financial Statements*

The following is a summary of capital assets for governmental activities:

	Balance July 1, 2006	Additions	Retirements	Inventory Adjustments	Transfers	Balance June 30, 2007
<b>Governmental Activities:</b>						
Capital assets, not being depreciated:						
Land	\$ 690,884	\$ -	\$ -	\$ -	\$ -	\$ 690,884
Construction in progress	885,222	774,411	-	-	(885,222)	774,411
Total non depreciable assets	<u>1,576,106</u>	<u>774,411</u>	<u>-</u>	<u>-</u>	<u>(885,222)</u>	<u>1,465,295</u>
Capital assets, being depreciated:						
Buildings	1,668,094	-	-	-	-	1,668,094
Other improvements	749,531	77,220	-	-	-	826,751
Vehicles	564,738	70,150	-	-	-	634,888
Equipment - computer	42,486	17,918	-	-	-	60,404
Equipment - furniture/equipment	408,382	12,898	-	-	-	421,280
Infrastructure	46,754,184	3,908,646	(2,605,404)	-	885,222	48,942,648
Total depreciable assets	<u>50,187,415</u>	<u>4,086,832</u>	<u>(2,605,404)</u>	<u>-</u>	<u>885,222</u>	<u>52,554,065</u>
Accumulated Depreciation:						
Buildings	(658,565)	(37,391)	-	-	-	(695,956)
Other improvements	(497,396)	(26,319)	-	-	-	(523,715)
Vehicles	(359,779)	(73,973)	-	-	-	(433,752)
Equipment - computer	(16,588)	(8,204)	-	-	-	(24,792)
Equipment - furniture/equipment	(358,708)	(12,579)	-	-	-	(371,287)
Infrastructure	(22,772,659)	(1,537,046)	2,276,338	-	-	(22,033,367)
Total accumulated depreciation	<u>(24,663,695)</u>	<u>(1,695,512)</u>	<u>2,276,338</u>	<u>-</u>	<u>-</u>	<u>(24,082,869)</u>
Depreciable assets, net	<u>25,523,720</u>	<u>2,391,320</u>	<u>(329,066)</u>	<u>-</u>	<u>885,222</u>	<u>28,471,196</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 27,099,826</u>	<u>\$ 3,165,731</u>	<u>\$ (329,066)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,936,491</u>

Governmental activities depreciation expenses for capital assets for the year ended June 30, 2007 is as follows.

General Government	\$ 1,557,337
General Government, related to Internal Service	83,098
Public Works Administration	45,637
Police	9,440
<b>Total depreciation expense</b>	<u>\$ 1,695,512</u>

**Town of Atherton**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

**5. COMPENSATED ABSENCES**

The Town's compensated absences consist of accrued vacation pay, floating holiday pay for all regular employees and paid time off and floating holiday pay for management employees. Some employees are allowed to accrue compensatory time. The total amount of the accrued liability is recorded in the Government-Wide Financial Statements and charges for compensated absences expense is charged to the various program activities. The net activity for compensated absences for fiscal year 2007 was \$47,955.

Summary of changes in compensated absences for the year ended June 30, 2007 is as follows.

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007	Due in one year	Due in more than one year
Governmental Activities	\$ 625,138	\$ 467,380	\$ (419,425)	\$ 673,093	\$ 216,460	\$ 456,633
<b>Total</b>	<u>\$ 625,138</u>	<u>\$ 467,380</u>	<u>\$ (419,425)</u>	<u>\$ 673,093</u>	<u>\$ 216,460</u>	<u>\$ 456,633</u>

**6. FUND BALANCES**

The fund financial statements consist of reserved and unreserved amounts. Reserved fund balances represents that portion of a fund balance which has been appropriated for expenditure or is legally segregated for a specific future use. The remaining portion is unreserved and may be designated or undesignated.

Reservations and designations of fund balances are described as follows:

- Reserved for encumbrances is the portion set aside for purchase orders, contracts, and other commitments for expenditures.
- Reserve for contingency are funds to cover unanticipated operating expenditures during the fiscal year.
- Reserved for future building inspection are funds restricted for building code inspection activities.
- Reserved for compensated absences is the portion restricted for future payment of employee absences.
- Designated for operating reserve is to cover unanticipated expenditures related to insuring the Town.

At June 30, 2007, the Town had a deficit Unreserved, Undesignated fund balance in its Special Tax fund in the amount of \$(588,965). The deficit was due to the fund incurring higher costs related to street work and associated contracts. The Town amended the Budget for FY 08 to accomodate this deficit.

**Town of Atherton**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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**7. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

At June 30, 2007, the following special revenue funds had an excess of expenditures over appropriations, but had adequate resources to cover the excess:

Gas Tax Fund	\$	98,234
Special Tax Fund		809,676
Road Construction Fund		400,712
Transportation Fund		365,500
Total	\$	<u>1,674,122</u>

**8. EMPLOYEE RETIREMENT PLANS**

*A. Plan Description*

The Town contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and Town ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office located at 400 P Street, Sacramento, CA 95814.

*B. Funding Policy*

Active plan members are required by state statute to contribute 7% for miscellaneous and 9% for safety employees of their annual covered salary. The Town makes the contributions required of Town employees on their behalf and for their account, which amounted to \$339,717 for the year ended June 30, 2007.

The Town, as employer, is required to contribute an actuarially determined payment that is reflected as a percentage of annual covered payroll for miscellaneous and safety employees. The contribution rate for the fiscal year 2007 was 13.415% for miscellaneous employees and 31.887% for safety employees.

**Town of Atherton**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

**8. EMPLOYEE RETIREMENT PLANS, Continued**

*C. Annual Pension Cost*

For the fiscal year 2007, the Town's annual pension cost of \$927,301 for PERS was equal to the Town's required contribution. The required contribution was determined as a part of the June 30, 2004 actuarial valuation using the entry age method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases that range from 3.25% to 14.45% for miscellaneous and 3.25% to 13.15% for safety employees depending on age, service and type of employment, and (c), 3.25% per year cost-of-living adjustments for retirees. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three year period. The average remaining amortization period at June 30, 2004 was 17 years for miscellaneous and 17 years for safety employees for prior and current service unfunded liabilities.

Three-Year Trend Information for PERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2005	\$ 818,899	100%	\$ -
6/30/2006	\$ 911,806	100%	\$ -
6/30/2007	\$ 927,301	100%	\$ -

**9. RISK MANAGEMENT**

*A. Risk Pool*

The Town belongs to ABAG Plan Corporation, which covers general liability claims in an amount up to \$5,000,000. The Town has a deductible or uninsured liability of up to \$25,000 per claim. Once the Town's deductible is met, the ABAG Plan becomes responsible for payment of all claims up to the limit. Other coverage includes Risk Property Coverage with a total insured value of \$1,669,000,000 with a deductible of \$25,000 for property damage and \$10,000 for auto/vehicle damage, and Public Official Bond insurance of \$1,000,000 with a deductible of \$5,000. During the fiscal year ended June 30, 2007, the Town contributed \$116,279 for current year coverage.

The Cities Group covers workers' compensation claims up to \$750,000 each and has coverage above that limit to a maximum of \$12,400,000. The Town has no deductible for the claims.

**Town of Atherton**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

**9. RISK MANAGEMENT, Continued**

*A. Risk Pool, Continued*

Each risk pool is governed by a board consisting of representatives from member municipalities. The board controls the operations of each risk pool, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the board. The Town's contributions to each risk pool equal the ratio of the Town's payroll to the total payrolls of all entities participating in the same layer of each program, in each program year. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

*B. Liability for Uninsured Claims*

Municipalities are required to record their liability of uninsured claims and to reflect the current portion of this liability as expenditure in their financial statements. As discussed above, the Town has coverage for such claims, but it has retained the risk for deductible or uninsured portions of these claims. The Town includes its claims liability amount as part of accounts payable, since the amount is considered a current liability. The Town's liability for uninsured claims based on claims experience was computed as follows:

	Liability Balance July 1	Current Year Claims and Changes in Estimates	Claims Payments for Current and Prior Fiscal Years	Liability Balance June 30
2004-05	\$ 53,965	\$ 53,500	\$ (41,390)	\$ 66,075
2005-06	66,075	7,400	(66,025)	7,450
2006-07	7,450	25,971	-	33,421

**10. JOINT VENTURES**

The Town participates in several active joint ventures through formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these entities exercise full powers and authorities within the scope of the related Joint Powers Agreement (JPA), including selection of management and approval of operating budgets, independent of any influences by each member beyond representation on each Board. Obligations and liabilities of these joint ventures are not the Town's responsibility, and the Town does not have an equity interest in the assets of each joint venture except upon dissolution.

**Town of Atherton**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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**10. JOINT VENTURES, Continued**

*A. Town/County Association of Governments (C/CAG)*

C/CAG was established under a 1990 Joint Exercise of Powers Agreement between the Town, the County and cities and towns within the County for the purpose of developing State mandated plans. Members of C/CAG pay their pro-rata share of the total annual contributions required based on the member's 1990 population. Financial statements for C/CAG may be obtained by mailing a request to the Town of San Carlos, 666 Elm Street, San Carlos, California 94070.

*B. South Bayside Waste Management Authority (Authority)*

The Authority is a joint powers agreement formed on October 13, 1999 for the purpose of joint ownership, financing and administration of the San Carlos Transfer Station and the San Mateo Recyclery; and the planning, administration, review, monitoring, enforcement and reporting of solid waste and recyclable material within the Authority's service area.

Members of the Authority include 11 municipalities located on the mid and lower Peninsula as well as certain unincorporated areas within the County. The Authority is controlled by a 12-member board consisting of one representative from each community. Through the operation of franchise agreements, BFI Waste Systems of North America Inc. provides refuse and recyclable materials collection and disposal services for the benefit of residents and businesses of each member agency.

*C. Alcohol Violation Temporary Housing Authority (AVTHA)*

AVTHA was established between the County and most of the cities and towns in the County to provide temporary housing and counseling to persons accused of alcohol related law violations. AVTHA contracts with an operator to provide such services. The costs of operating the temporary housing are allocated to each member based on alcohol related arrests occurring within each member's jurisdiction. Financial statements for AVTHA may be obtained by mailing a request to Redwood City, 801 Marshall Street, Suite 600, Redwood City, California 94063.

*D. Library Joint Powers Agreement*

In December 1998, the Town joined with the County and ten other municipalities in the County to coordinate and expand library services throughout the County, including those in the Town.

Property tax revenues in excess of the JPA's costs of maintaining the library are remitted to the Town and are deposited into the Library Special Revenue fund. Expenditures of this fund are subject to the approval of the Library JPA.

**Town of Atherton**  
**Notes to the Basic Financial Statements, Continued**  
**For the year ended June 30, 2007**

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**11. COMMITMENTS AND CONTINGENCIES**

The Town is subject to litigation arising in the normal course of business. In the opinion of the Town Attorney, there is no pending litigation which is likely to have a material adverse effect on the financial position of the Town.

As of June 30, 2007, the Town had the following outstanding contract commitments that exceeded \$50,000:

Intermountain Electric	\$	73,975
Granite Construction		<u>649,677</u>
Total	\$	<u><u>723,652</u></u>

**12. SUBSEQUENT EVENTS**

The Finance Director was placed on administrative leave August 27, 2007 and then terminated October 29, 2007. There was a claim for wrongful termination filed by the Finance Director, but then later withdrawn. The County of San Mateo Grand Jury then began an investigation of this matter and held closed hearings. No formal report has been released by the Grand Jury as of this date. Management believes the outcome of these actions will not have a material impact on the financial position of the Town.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Town of Atherton**  
**Required Supplementary Information**  
**For the year ended June 30, 2007**

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**1. BUDGETARY PRINCIPLES**

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- By June 30, the Town Manager submits to the Town Council a proposed operating budget for the year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. Continuing appropriations are rebudgeted by the Town Council as part of the adoption of subsequent year's budgets.
- Public hearings are conducted to obtain taxpayer comments.
- The budget is legally enacted through passage of a resolution during a Town Council meeting in the month of June.
- The Town Manager is authorized to transfer budgeted amounts within an activity, within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Town Council.
- Formal budgeting is employed as a management control device during the year for the general, certain special revenue and debt service funds. The Supplemental Law Enforcement Services and Police on the Street special revenue funds are not budgeted.
- Budgets for the general, certain special revenue and debt service funds are adopted on a basis consistent with generally accepted accounting principles (US GAAP).
- Budgets for capital projects funds are adopted on a project-life basis.

Budgeted amounts are as originally adopted or as amended by the Town Council. Budget amendments were not material in relation to the original appropriations.

Under encumbrance accounting, purchase orders, contracts and other commitments for expenditures are recorded to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary accounting. Since encumbrances do not yet constitute expenditures or liabilities, encumbrances outstanding at year-end are reported as reservations of fund balances.

**Town of Atherton**  
**Required Supplementary Information**  
**For the year ended June 30, 2007**

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**2. PUBLIC EMPLOYEE RETIREMENT SYSTEM**

*SAFETY PLAN*

As of the actuarial valuation date of June 30, 2003, the Town's safety plan became part of the CalPERS Risk Pool for employers with less than 100 active plan members. As part of a cost-sharing multiple-employer defined benefit plan, disclosure of the schedule of funding progress is not required.

*MISCELLANEOUS PLAN*

As of the actuarial valuation date of June 30, 2003, the Town's miscellaneous plan became part of the CalPERS Risk Pool for employers with less than 100 active plan members. As part of a cost-sharing multiple-employer defined benefit plan, disclosure of the schedule of funding progress is not required.

**Town of Atherton**

**Required Supplementary Information**

**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual -  
General Fund**

**For the year ended June 30, 2007**

	Budget	Final Budget	Actual	Variance from Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Property taxes	\$ 4,135,402	\$ 4,135,402	\$ 4,293,196	\$ 157,794
Sales taxes	157,500	157,500	219,391	61,891
Other taxes	1,111,546	1,111,546	1,413,469	301,923
Permits and licenses	1,466,200	1,466,200	1,704,154	237,954
Fines and forfeitures	35,000	35,000	71,766	36,766
From other agencies	176,500	176,500	301,458	124,958
Service charges	307,852	307,852	313,113	5,261
Use of money and property	395,215	395,215	759,527	364,312
Other revenues	229,000	229,000	523,883	294,883
<b>TOTAL REVENUES</b>	<b>8,014,215</b>	<b>8,014,215</b>	<b>9,599,957</b>	<b>1,585,742</b>
<b>EXPENDITURES</b>				
General government	1,383,025	1,383,025	1,476,695	(93,670)
Public works administration	1,364,504	1,539,504	1,205,440	334,064
Police	4,696,246	4,696,246	4,519,810	176,436
Streets and public facilities	2,036,295	2,036,295	2,046,673	(10,378)
<b>TOTAL EXPENDITURES</b>	<b>9,480,070</b>	<b>9,655,070</b>	<b>9,248,618</b>	<b>406,452</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,465,855)</b>	<b>(1,640,855)</b>	<b>351,339</b>	<b>1,992,194</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	955,000	955,000	-	955,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>955,000</b>	<b>955,000</b>	<b>-</b>	<b>955,000</b>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ (510,855)</b>	<b>\$ (685,855)</b>	<b>351,339</b>	<b>\$ 1,037,194</b>
<b>FUND BALANCE</b>				
Beginning of year			9,490,384	
End of year			\$ 9,841,723	

**Town of Atherton**

**Required Supplementary Information**

**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual -**

**Special Tax Fund**

**For the year ended June 30, 2007**

	Budget	Final Budget	Actual	Variance from Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Special assessments	\$ 1,858,000	\$ 1,858,000	\$ 1,749,280	\$ (108,720)
Use of money and property	-	-	25,811	25,811
<b>TOTAL REVENUES</b>	<u>1,858,000</u>	<u>1,858,000</u>	<u>1,775,091</u>	<u>(82,909)</u>
<b>EXPENDITURES</b>				
Streets and public facilities	1,910,535	1,910,535	2,720,211	(809,676)
<b>TOTAL EXPENDITURES</b>	<u>1,910,535</u>	<u>1,910,535</u>	<u>2,720,211</u>	<u>(809,676)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(52,535)</u>	<u>(52,535)</u>	<u>(945,120)</u>	<u>(892,585)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers (out)	(515,000)	(515,000)	-	(515,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(515,000)</u>	<u>(515,000)</u>	<u>-</u>	<u>(515,000)</u>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>\$ (567,535)</u>	<u>\$ (567,535)</u>	<u>(945,120)</u>	<u>\$ (377,585)</u>
<b>FUND BALANCE</b>				
Beginning of year			1,005,832	
End of year			<u>\$ 60,712</u>	

**Town of Atherton**

Required Supplementary Information

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual -

Library Fund

For the year ended June 30, 2007

	Budget	Final Budget	Actual	Variance from Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Property taxes	\$ 200,000	\$ 200,000	\$ 569,531	\$ 369,531
Use of money and property	-	-	90,152	90,152
<b>TOTAL REVENUES</b>	<u>200,000</u>	<u>200,000</u>	<u>659,683</u>	<u>459,683</u>
<b>EXPENDITURES</b>				
Library maintenance	78,326	78,326	42,046	36,280
<b>TOTAL EXPENDITURES</b>	<u>78,326</u>	<u>78,326</u>	<u>42,046</u>	<u>36,280</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>121,674</u>	<u>121,674</u>	<u>617,637</u>	<u>495,963</u>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>\$ 121,674</u>	<u>\$ 121,674</u>	<u>617,637</u>	<u>\$ 495,963</u>
<b>FUND BALANCE</b>				
Beginning of year			<u>1,947,286</u>	
End of year			<u>\$ 2,564,923</u>	

**Town of Atherton**

**Required Supplementary Information**

**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual -**

**Road Construction Fund**

**For the year ended June 30, 2007**

	Budget	Final Budget	Actual	Variance from Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Use of money and property	\$ -	\$ -	\$ 11,993	\$ 11,993
Road impact fees	1,100,000	1,100,000	264,569	(835,431)
<b>TOTAL REVENUES</b>	<b>1,100,000</b>	<b>1,100,000</b>	<b>276,562</b>	<b>(823,438)</b>
<b>EXPENDITURES</b>				
Streets and public facilities	1,215,000	1,215,000	1,615,712	(400,712)
<b>TOTAL EXPENDITURES</b>	<b>1,215,000</b>	<b>1,215,000</b>	<b>1,615,712</b>	<b>(400,712)</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(115,000)</b>	<b>(115,000)</b>	<b>(1,339,150)</b>	<b>(1,224,150)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers (out)	(310,000)	(310,000)	-	(310,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(310,000)</b>	<b>(310,000)</b>	<b>-</b>	<b>(310,000)</b>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ (425,000)</b>	<b>\$ (425,000)</b>	<b>(1,339,150)</b>	<b>\$ (914,150)</b>
<b>FUND BALANCE</b>				
Beginning of year			1,373,559	
End of year			\$ 34,409	

**SUPPLEMENTARY INFORMATION**

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**NON-MAJOR GOVERNMENTAL FUNDS**

Town of Atherton  
Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2007

	Special Revenue			
	Transportation	Tennis	Supplemental Law Enforcement Services	State Park Grants
<b>ASSETS</b>				
Cash and investments in treasury	\$ 27,869	\$ 29,119	\$ -	\$ 39,700
Accounts	5,452	-	-	-
Interest	9,149	332	135	-
<b>TOTAL ASSETS</b>	<b>\$ 42,470</b>	<b>\$ 29,451</b>	<b>\$ 135</b>	<b>\$ 39,700</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accrued payroll	\$ -	\$ -	\$ -	\$ 214
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>214</b>
<b>FUND BALANCE</b>				
Reserved for:				
Contingency	15,300	-	-	-
Undesignated	27,170	29,451	135	39,486
<b>TOTAL FUND BALANCE</b>	<b>42,470</b>	<b>29,451</b>	<b>135</b>	<b>39,486</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 42,470</b>	<b>\$ 29,451</b>	<b>\$ 135</b>	<b>\$ 39,700</b>

Special Revenue			Capital Projects			
Police on the Street	Gas Tax	COPS Grant	Storm Drainage	Park Well	Facilities Construction	Channel Drainage District
\$ 4,455	\$ 127,900	\$ 11,802	\$ 41,877	\$ -	\$ 68,619	\$ 47,852
-	-	-	-	-	-	-
-	2,809	5	505	-	828	539
<u>\$ 4,455</u>	<u>\$ 130,709</u>	<u>\$ 11,807</u>	<u>\$ 42,382</u>	<u>\$ -</u>	<u>\$ 69,447</u>	<u>\$ 48,391</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
4,455	130,709	11,807	42,382	-	69,447	48,391
4,455	130,709	11,807	42,382	-	69,447	48,391
<u>\$ 4,455</u>	<u>\$ 130,709</u>	<u>\$ 11,807</u>	<u>\$ 42,382</u>	<u>\$ -</u>	<u>\$ 69,447</u>	<u>\$ 48,391</u>

(Continued)

Town of Atherton  
 Combining Balance Sheet  
 Non-Major Governmental Funds  
 June 30, 2007

	<u>Capital Projects</u>	
	<u>Capital Improvement</u>	<u>Total</u>
<b>ASSETS</b>		
Cash and investments in treasury	\$ 266,981	\$ 666,174
Accounts	-	5,452
Interest	3,219	17,521
<b>TOTAL ASSETS</b>	<b>\$ 270,200</b>	<b>\$ 689,147</b>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>LIABILITIES</b>		
Accrued payroll	\$ -	\$ 214
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>214</b>
<b>FUND BALANCE</b>		
Reserved for:		
Contingency	-	15,300
Undesignated	270,200	673,633
<b>TOTAL FUND BALANCE</b>	<b>270,200</b>	<b>688,933</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 270,200</b>	<b>\$ 689,147</b>

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**Town of Atherton**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**

**Non-Major Governmental Funds**

For the year ended June 30, 2007

	Special Revenue			
	Transportation	Tennis	Supplemental Law Enforcement Services	State Park Grants
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Measure A grants	270,217	-	-	-
From other agencies	-	-	-	121,867
Service charges	-	8,325	-	-
Use of money and property	29,676	1,104	135	(214)
<b>TOTAL REVENUES</b>	<b>299,893</b>	<b>9,429</b>	<b>135</b>	<b>121,653</b>
<b>EXPENDITURES</b>				
Current:				
General government	-	3,669	11,153	-
Police	-	-	-	-
Streets and public facilities	785,000	-	-	82,167
<b>TOTAL EXPENDITURES</b>	<b>785,000</b>	<b>3,669</b>	<b>11,153</b>	<b>82,167</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(485,107)</b>	<b>5,760</b>	<b>(11,018)</b>	<b>39,486</b>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>(485,107)</b>	<b>5,760</b>	<b>(11,018)</b>	<b>39,486</b>
<b>FUND BALANCES:</b>				
Beginning of year	527,577	23,691	11,153	-
End of year	\$ 42,470	\$ 29,451	\$ 135	\$ 39,486

Special Revenue			Capital Projects			
Police on the Street	Gas Tax	COPS Grant	Storm Drainage	Park Well	Facilities Construction	Channel Drainage District
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 57,934
-	168,191	100,288	-	-	-	4,115
-	7,878	512	1,889	-	2,918	1,106
-	176,069	100,800	1,889	-	2,918	63,155
-	-	-	-	-	-	-
-	-	89,327	-	-	-	-
-	148,234	-	2,962	-	-	50,804
-	148,234	89,327	2,962	0	-	50,804
-	27,835	11,473	(1,073)	-	2,918	12,351
-	27,835	11,473	(1,073)	-	2,918	12,351
4,455	102,874	334	43,455	-	66,529	36,040
<u>\$ 4,455</u>	<u>\$ 130,709</u>	<u>\$ 11,807</u>	<u>\$ 42,382</u>	<u>\$ -</u>	<u>\$ 69,447</u>	<u>\$ 48,391</u>

(Continued)

# Town of Atherton

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

### Non-Major Governmental Funds

For the year ended June 30, 2007

	<u>Capital Projects</u>	
	Capital Improvement	Total
<b>REVENUES</b>		
Property taxes	\$ -	\$ 57,934
Measure A grants	-	270,217
From other agencies	-	394,461
Service charges	-	8,325
Use of money and property	11,775	56,779
<b>TOTAL REVENUES</b>	<u>11,775</u>	<u>787,716</u>
<b>EXPENDITURES</b>		
Current:		
General government	-	14,822
Police	-	89,327
Streets and public facilities	-	1,069,167
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>1,173,316</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>11,775</u>	<u>(385,600)</u>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>11,775</u>	<u>(385,600)</u>
<b>FUND BALANCES:</b>		
Beginning of year	258,425	1,074,533
End of year	<u>\$ 270,200</u>	<u>\$ 688,933</u>

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**NON-MAJOR SPECIAL REVENUE BUDGET TO ACTUAL COMPARISONS**

# Town of Atherton

## Required Supplementary Information

### Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual -

#### Transportation Fund

For the year ended June 30, 2007

	Budget	Final Budget	Actual	Variance from Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Measure A grants	\$ 265,000	\$ 265,000	\$ 270,217	\$ 5,217
Use of money and property	-	-	29,676	29,676
<b>TOTAL REVENUES</b>	<u>265,000</u>	<u>265,000</u>	<u>299,893</u>	<u>34,893</u>
<b>EXPENDITURES</b>				
Streets and public facilities	419,500	419,500	785,000	(365,500)
<b>TOTAL EXPENDITURES</b>	<u>419,500</u>	<u>419,500</u>	<u>785,000</u>	<u>(365,500)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(154,500)</u>	<u>(154,500)</u>	<u>(485,107)</u>	<u>(330,607)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers (out)	(25,000)	(25,000)	-	(25,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>	<u>(25,000)</u>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>\$ (179,500)</u>	<u>\$ (179,500)</u>	<u>(485,107)</u>	<u>\$ (305,607)</u>
<b>FUND BALANCE</b>				
Beginning of year			<u>527,577</u>	
End of year			<u>\$ 42,470</u>	

Town of Atherton

Required Supplementary Information

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual -

Tennis Fund

For the year ended June 30, 2007

	Budget	Final Budget	Actual	Variance from Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Service charges	\$ 8,000	\$ 8,000	\$ 8,325	\$ 325
Use of money and property	-	-	1,104	1,104
<b>TOTAL REVENUES</b>	<b>8,000</b>	<b>8,000</b>	<b>9,429</b>	<b>1,429</b>
<b>EXPENDITURES</b>				
General government	5,522	5,522	3,669	1,853
<b>TOTAL EXPENDITURES</b>	<b>5,522</b>	<b>5,522</b>	<b>3,669</b>	<b>1,853</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>2,478</b>	<b>2,478</b>	<b>5,760</b>	<b>3,282</b>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>				
	<u>\$ 2,478</u>	<u>\$ 2,478</u>	5,760	<u>\$ 3,282</u>
<b>FUND BALANCE</b>				
Beginning of year			23,691	
End of year			<u>\$ 29,451</u>	

**Town of Atherton**

**Required Supplementary Information**

**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual -  
State Park Grants Fund**

**For the year ended June 30, 2007**

	Budget	Final Budget	Actual	Variance from Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
From other agencies	\$ 313,910	\$ 313,910	\$ 121,867	\$ (192,043)
Use of money and property	-	-	(214)	(214)
<b>TOTAL REVENUES</b>	<u>313,910</u>	<u>313,910</u>	<u>121,653</u>	<u>(192,257)</u>
<b>EXPENDITURES</b>				
Streets and public facilities	<u>302,040</u>	<u>302,040</u>	<u>82,167</u>	<u>219,873</u>
<b>TOTAL EXPENDITURES</b>	<u>302,040</u>	<u>302,040</u>	<u>82,167</u>	<u>219,873</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>11,870</u>	<u>11,870</u>	<u>39,486</u>	<u>27,616</u>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>				
	<u>\$ 11,870</u>	<u>\$ 11,870</u>	<u>39,486</u>	<u>\$ 27,616</u>
<b>FUND BALANCE</b>				
Beginning of year			<u>0</u>	
End of year			<u>\$ 39,486</u>	

**Town of Atherton**

**Required Supplementary Information**

**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual -**

**Gas Tax Fund**

**For the year ended June 30, 2007**

	Budget	Final Budget	Actual	Variance from Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
From other agencies	\$ 150,000	\$ 150,000	\$ 168,191	\$ 18,191
Use of money and property	-	-	7,878	7,878
<b>TOTAL REVENUES</b>	<b>150,000</b>	<b>150,000</b>	<b>176,069</b>	<b>26,069</b>
<b>EXPENDITURES</b>				
Streets and public facilities	50,000	50,000	148,234	(98,234)
<b>TOTAL EXPENDITURES</b>	<b>50,000</b>	<b>50,000</b>	<b>148,234</b>	<b>(98,234)</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>100,000</b>	<b>100,000</b>	<b>27,835</b>	<b>(72,165)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers (out)	(100,000)	(100,000)	-	(100,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(100,000)</b>	<b>(100,000)</b>	<b>-</b>	<b>(100,000)</b>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>27,835</b>	<b>\$ 27,835</b>
<b>FUND BALANCE</b>				
Beginning of year			102,874	
End of year			\$ 130,709	

**Town of Atherton**

**Required Supplementary Information**

**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual -**

**COPS Grant Fund**

**For the year ended June 30, 2007**

	Budget	Final Budget	Actual	Variance from Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
From other agencies	\$ 100,000	\$ 100,000	\$ 100,288	\$ 288
Use of money and property	-	-	512	512
<b>TOTAL REVENUES</b>	<u>100,000</u>	<u>100,000</u>	<u>100,800</u>	<u>800</u>
<b>EXPENDITURES</b>				
Police	100,000	100,000	89,327	10,673
<b>TOTAL EXPENDITURES</b>	<u>100,000</u>	<u>100,000</u>	<u>89,327</u>	<u>10,673</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>11,473</u>	<u>11,473</u>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>11,473</u>	<u>\$ 11,473</u>
<b>FUND BALANCE</b>				
Beginning of year			<u>334</u>	
End of year			<u>\$ 11,807</u>	

**FIDUCIARY FUND FINANCIAL STATEMENTS**

**Town of Atherton**  
**Statement of Changes in Assets and Liabilities**  
**Fiduciary Funds - Agency Funds**  
**For the year ended June 30, 2007**

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
<b><u>Evans Creative Design Fund</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 117,346	\$ 5,976	\$ (1,403)	\$ 121,919
<b>Total assets</b>	<b>\$ 117,346</b>	<b>\$ 5,976</b>	<b>\$ (1,403)</b>	<b>\$ 121,919</b>
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 1,403	\$ (1,403)	\$ -
Deposits payable	117,346	7,380	(2,807)	121,919
<b>Total liabilities</b>	<b>\$ 117,346</b>	<b>\$ 8,783</b>	<b>\$ (4,210)</b>	<b>\$ 121,919</b>
<b><u>Lindenwood Gate Trust</u></b>				
<b>Assets:</b>				
Cash and investments	\$ -	\$ 250	\$ -	\$ 250
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 250</b>	<b>\$ -</b>	<b>\$ 250</b>
<b>Liabilities:</b>				
Deposits payable	\$ -	\$ 250	\$ -	\$ 250
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ 250</b>	<b>\$ -</b>	<b>\$ 250</b>
<b><u>H-P Park Improvement Fund</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 5,851	\$ -	\$ -	\$ 5,851
<b>Total assets</b>	<b>\$ 5,851</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,851</b>
<b>Liabilities:</b>				
Deposits payable	\$ 5,851	\$ -	\$ -	\$ 5,851
<b>Total liabilities</b>	<b>\$ 5,851</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,851</b>
<b><u>Tree Committee</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 24,558	\$ 34,811	\$ (17,849)	\$ 41,520
<b>Total assets</b>	<b>\$ 24,558</b>	<b>\$ 34,811</b>	<b>\$ (17,849)</b>	<b>\$ 41,520</b>
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 2,558	\$ (2,558)	\$ -
Deposits payable	24,558	37,370	(20,408)	41,520
<b>Total liabilities</b>	<b>\$ 24,558</b>	<b>\$ 39,928</b>	<b>\$ (22,966)</b>	<b>\$ 41,520</b>
<b><u>All Agency Funds</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 147,755	\$ 41,037	\$ (19,252)	\$ 169,540
<b>Total assets</b>	<b>\$ 147,755</b>	<b>\$ 41,037</b>	<b>\$ (19,252)</b>	<b>\$ 169,540</b>
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 3,961	\$ (3,961)	\$ -
Deposits payable	147,755	45,000	(23,215)	169,540
<b>Total liabilities</b>	<b>\$ 147,755</b>	<b>\$ 48,961</b>	<b>\$ (27,176)</b>	<b>\$ 169,540</b>